

FIVE-YEAR SUMMARY

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2006	2005	2004	2003	2002	2006
For the year						
Net sales	¥ 730,944	¥ 638,468	¥ 506,378	¥ 468,959	¥ 482,975	\$ 6,222,387
Cost of sales	468,944	429,143	346,898	307,503	306,793	3,992,030
SG&A expenses	195,413	178,780	155,805	157,269	153,943	1,663,514
Operating income	66,587	30,545	3,675	4,187	22,239	566,843
Income (loss) before income taxes and minority interest	40,925	33,443	9,490	(11,128)	2,755	348,389
Net income (loss)	28,945	24,141	2,410	(8,143)	(6,004)	246,400
Per share of common stock (Yen and U.S. Dollars):						
Net income (loss)	¥ 78.16	¥ 65.19	¥ 6.52	¥ (22.03)	¥ (16.23)	\$ 0.67
Diluted net income	69.33	57.84	6.02			0.59
Cash dividends applicable to the year	10.00	8.00	4.00		4.00	0.09
Capital expenditures	¥ 25,817	¥ 22,459	¥ 22,267	¥ 20,226	¥ 33,546	\$ 219,776
Depreciation and amortization	20,760	19,705	20,213	20,435	17,917	176,726
R&D costs	37,139	33,561	30,165	27,506	27,313	316,159
At year-end						
Total assets	¥ 690,920	¥ 633,426	¥ 606,513	¥ 576,912	¥ 561,276	\$ 5,881,668
Shareholders' equity	243,122	196,030	171,194	162,464	176,961	2,069,654

- Notes: 1. Per share of common stock is computed based on the weighted average number of shares outstanding during the year.
2. U.S. Dollar figures are translated for reference only at ¥117.47 to U.S. \$1.00, the approximate exchange rate at March 31, 2006.
3. Diluted net income per share for the year ended March 31, 2003 and 2002 is not disclosed because of the Company's net loss position.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

OPERATING ENVIRONMENT

In the fiscal year ended March 31, 2006, the U.S. economy progressed steadily as a result of increased consumer spending and capital investment combined with a continued favorable employment environment. The European economy was on a recovery trend on the whole due primarily to rising exports, while the Asian economy continued to grow steadily, particularly China.

With regard to Nikon Group business segments, in Precision Equipment and Instruments, growth in the semiconductor and LCD markets led to strong capital investment. In Imaging Products, the digital camera market continued moderate expansion.

Net Sales by Industry Segment

Years ended March 31, 2006 and 2005

	Millions of Yen, %		Thousands of U.S. Dollars
	2006	2005	2006
Precision Equipment	¥ 243,207	¥ 214,326	\$ 2,070,376
Share of net sales	33.3%	33.6%	
Imaging Products	416,607	355,489	3,546,489
Share of net sales	57.0	55.7	
Instruments	54,875	52,184	467,141
Share of net sales	7.5	8.2	
Other	49,832	44,253	424,214
Share of net sales	6.8	6.9	
Total	¥ 764,521	¥ 666,252	\$ 6,508,220
(Elimination)	(33,577)	(27,784)	(285,833)
	(4.6)	(4.4)	
Consolidated	¥ 730,944	¥ 638,468	\$ 6,222,387

OPERATIONAL REVIEW AND ANALYSIS

During the year, the Nikon Group worked to expand sales through the speedy introduction of products that clearly match market needs, and to develop high-growth-potential markets. Elsewhere, management resources were channeled into creating and fostering promising new business areas. To enhance financial standing, the Group devoted energy to shortening processing time and cutting costs by further boosting efficiency in core businesses, and to reducing inventories and interest-bearing debt. Efforts were also made to create a management system focused on cash flow. As a result of these initiatives, consolidated net sales totaled ¥730,944 million, up ¥92,476 million, or 14.5%, relative to the previous year, while consolidated net income amounted to ¥28,945 million. Both of these results marked new record highs for the Group.

Breaking down the results by business segment, the Precision Equipment Business posted ¥242,318 million in net sales, a year-on-year increase of 14.0%, and operating income of ¥26,375 million. In IC steppers, the Group not only strove to expand sales of existing products, it began shipments of immersion lithography products using advanced lithography technology ahead of the competition. Sales of LCD steppers grew considerably thanks to aggressive efforts to increase sales to meet demand from LCD panel makers.

The Imaging Products Business recorded net sales of ¥415,686 million, a 17.4% gain, and operating income of ¥34,369 million. Nikon was successful in significantly expanding sales in this segment through the release of new digital SLR cameras, including the D70s with enhanced basic functions and ease-of-use, which was well-received by markets, and by augmenting the COOLPIX line and the range of digital SLR cameras.

The Instruments Business registered net sales of ¥53,280 million, up 5.2%, and operating income of ¥4,085 million. This result was due to aggressive efforts to raise sales of new products and the CNC video measuring system NEXIV.

Breaking down results by geographic segment, sales increased in Japan due to sales growth in Instruments on the back of increased demand for equipment to measure asbestos and increased production of microscopes, which offset declining sales in Precision Equipment due to lower sales volume relative to the previous year. Meanwhile, in Imaging Products, sales of digital SLR cameras were strong. Overall sales in Japan dipped by 0.4% to ¥274,907 million and operating income totaled ¥45,204 million.

Overseas, sales in North America surged by 31.4% to ¥216,849 million and operating income was ¥8,391 million due to brisk sales of digital SLR cameras.

In Europe, although sales of digital SLR cameras remained flat year-on-year, appreciation of the Euro led to overall sales growth. The region recorded sales of ¥166,734 million, up 17.3%, and operating income of ¥4,827 million.

In Asia, sales of service components increased as customers' capacity utilization rose, while sales of digital SLR cameras performed well, leading to overall sales expansion. Regional sales climbed 31.1% to ¥72,454 million and operating income totaled ¥8,474 million.

Income Analysis

Years ended March 31, 2006 and 2005

	(% of Net Sales)	
	<u>2006</u>	<u>2005</u>
Net sales	100.0%	100.0%
Cost of sales	(64.2)	(67.2)
Gross profit	35.8	32.8
SG&A expenses	(26.7)	(28.0)
Operating income	9.1	4.8
Net interest expense and dividend income	0.0	(0.2)
Net other income	3.5	0.6
Income before income taxes and minority interest	5.6	5.2
Income taxes	1.6	1.4
Minority interest	0.0	0.0
Net income	<u>4.0</u>	<u>3.8</u>

Note: All expenses and subtractive amounts are in parentheses.

Balance Sheet Analysis

March 31, 2006 and 2005

	(% of Total Assets)	
	2006	2005
Total assets	100.0%	100.0%
Total current assets	67.9	68.1
Inventories	34.6	38.8
Property, plant and equipment	16.0	17.3
Investments and other assets	16.1	14.6
Total current liabilities	48.5	42.0
Short-term borrowings	1.8	6.0
Long-term debt, less current portion	12.8	23.7
Shareholders' equity	35.2	30.9

FINANCIAL REVIEW AND ANALYSIS

At fiscal year-end, total assets amounted to ¥690,920 million, up ¥57,494 million, or 9.1%, relative to the previous fiscal year-end. This increase primarily reflected higher levels of cash and cash equivalents and accounts receivable. Current assets totaled ¥469,105 million, up 8.8%.

Liabilities increased by ¥10,405 million as the Company reclassified certain outstanding bonds to corporate bonds with redemption due within one year.

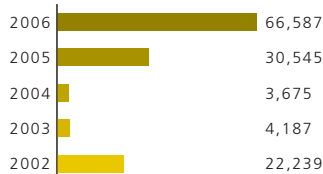
Total cash dividends for the year amounted to ¥2,955 million. Meanwhile, net income of ¥28,945 million and an increase in retained earnings resulted in a net increase in total shareholders' equity of ¥47,092 million.

In terms of cash flows, cash and cash equivalents at year-end amounted to ¥44,472 million. Net cash provided by operating activities totaled ¥63,744 million, mainly owing to a relatively high level of income before income taxes, a substantial decrease in inventories and an increase in notes and accounts payable. Net cash used in investing activities amounted to ¥22,427 million, reflecting a decrease in proceeds from sales of property, plant and equipment and an increase in payments for purchases of tangible fixed assets. Net cash used in financing activities totaled ¥20,515 million, due to an increase in proceeds from long-term debt, despite a significant decrease in short-term borrowings, and to the absence of payments for the redemption of corporate bonds, which occurred in the previous year.

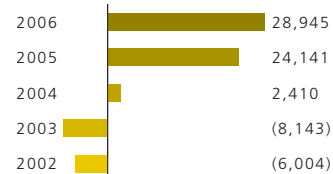
Net Sales (¥ Million)



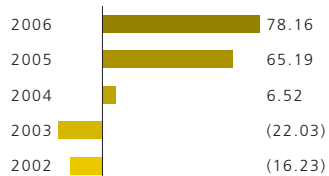
Operating Income (¥ Million)



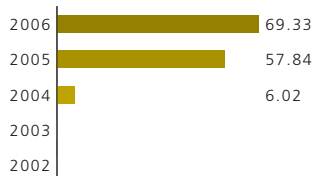
Net Income (Loss) (¥ Million)



Net Income (Loss) per Share (¥)



Diluted Net Income Per Share (¥)



Capital Expenditures (¥ Million)



R&D Costs (¥ Million)



Shareholders' Equity (¥ Million)



Return on Equity (%)

